



Department of Energy

Bonneville Power Administration
P.O. Box 3621
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POWER BUSINESS LINE

December 17, 2004

In reply refer to: P-6

To Customers, Constituents, Tribes and Other Stakeholders:

In response to requests from customers, constituents and Tribes for meaningful opportunities to examine, understand and provide input on the cost projections that will form the basis for the FY 2007 wholesale power rate case, the Bonneville Power Administration's (BPA's) Power Business Line (PBL) will begin a Power Function Review (PFR) in January 2005. The PFR will provide a broad spectrum of involvement opportunities -- from the general manager level to the technical level to the general public. The input we receive will be considered by BPA in establishing program costs for the FY 2007 power rate case initial proposal, which is expected in the fall of 2005.

Background

After a large BPA power rate increase in 2002 and ongoing scrutiny and reduction of many budget items, the level of interest from customers, constituents and Tribes in the costs that go into BPA's rates is higher than ever before. In response, BPA will provide clear information on those costs, along with robust opportunities to provide input into BPA's cost decisions prior to the publication of the 2007 power rate case initial proposal. BPA has provided well-received opportunities for review and input recently, through the Power Net Revenue Improvement Sounding Board process, monthly financial updates for customers' technical staff, participation in the Customer Collaborative, and other similar steps. The Power Function Review will build on these efforts.

Plan for the Power Function Review

The PFR will address the costs that go into power rates, with a primary focus on the nine major program areas that make up the bulk of power costs. These are listed below in order of magnitude:

1. Federal and Non-Federal Debt Service and Debt Management
2. Columbia Generating Station operation and maintenance costs and capital investments, including funding alternatives
3. Corps of Engineers and Bureau of Reclamation operation and maintenance costs and capital investments
4. Transmission acquisition costs
5. Fish & Wildlife program expenses and capital investments
6. Internal operations costs charged to power rates
7. Conservation program costs
8. Renewables program costs
9. Risk Mitigation Packages and Tools (size of this is highly variable)

The PFR will comprise three main forums for consideration of programs and costs:

- Technical Workshops,
- Management-Level Discussions, and
- Regional Public Meetings.

All forums are open to the public and will be noticed on the PBL external Web site at: www.bpa.gov/power/review. Staff from the Corps of Engineers, Bureau of Reclamation, and Energy Northwest will participate in presentations on costs they manage.

In addition to the fish and wildlife program expenses and capital investments discussion in the PFR, an ad hoc fish and wildlife funding agreement work group is currently working to define BPA's fish and wildlife program costs by developing a framework for funding needs associated with the specific components of the region's salmon recovery efforts. This framework, and the overall proposed program funding level will undergo further review in the PFR. Other components of the BPA's fish and wildlife costs, such as operations effects, will also be addressed, via regional coordination, ahead of the PFR, but will also undergo review in the PFR itself. Additional information on these forums and opportunities for involvement will be defined in a follow-up letter.

Technical Workshops

BPA will begin the PFR public process in mid-January 2005 with a series of technical workshops covering the nine areas listed above. BPA will use these workshops to educate and inform interested persons, by providing technical level information with a goal of achieving understanding of proposed program funding levels and the drivers behind those program levels.

Participants will have the opportunity to provide input on cost levels during these workshops and during the public comment period. Workshops will begin January 25, 2005, with the first workshop serving as an introduction to the PFR process. At this session, BPA staff will provide an overview of the rate-setting process, how the PFR fits into the rate process, and an overview of the major program areas to be discussed throughout the process. For more information on workshop dates and topics, please see the enclosed meeting schedule.

Management-Level Discussions

Starting in February, BPA will convene management-level discussions with a group of customer managers and Tribal and constituent leaders. It is our desire that this group be willing to invest the time needed to understand and provide input on cost levels over a three-month period. Initially, BPA will invite a cross-section of senior leaders to participate, similar to the Power Net Revenue Improvement Sounding Board. The meetings will be noticed on the PBL external Web site and open to participation by additional managers and leaders who can commit the time to engage in these discussions and attend the meetings. The focus of these discussions will be on cost levels for the nine program areas.

Participants will have the opportunity to discuss programs and program funding levels among themselves and with BPA senior management, give input and also submit comments to BPA during the public comment period.

Regional Public Meetings

BPA will complete the PFR process in April with five public meetings, which will be held in Portland, OR, Seattle, WA, Idaho Falls, ID, Missoula, MT, and Spokane, WA. The purpose of these meetings will be to inform participants about program funding levels and give them the opportunity to discuss funding levels with BPA staff and to submit comments during the meetings as well as during the comment period.

In addition to these three forums, BPA staff will be available for additional discussions with individuals and groups upon request.

Public Comment Period

The public comment period on the cost levels in the various PFR components opens on January 25, 2005 and closes April 29, 2005. Comments can be submitted at any of the above meetings, or written comments can be sent via mail to Bonneville Power Administration, P.O. Box 14428, Portland OR 97293-4428, sent via email to comment@bpa.gov, or faxed to (503) 230-3285.

Following the close of comment BPA will issue a report to the region summarizing comments received, responses from BPA and the other agencies, and program funding levels to be included in the FY 2007 power rate case initial proposal. Some components that contribute to the program funding levels to be discussed in the PFR will carry over into the rate case proceedings and will be summarized in the close out report, but not finalized.

If you have questions concerning the PFR, please contact the PFR project manager, Michelle Manary at (503) 230-5858, or your Power Business Line Customer Account Executive, Tribal Account Executive, or Constituent Account Executive.

I look forward to your participation in this upcoming process. Enclosed is a complete schedule of PFR technical workshops, management discussions and public meetings. This information will also be posted on the PBL external Web site at www.bpa.gov/power/review.

Sincerely,

/s/ Paul E. Norman

Paul E. Norman
Senior Vice President
Power Business Line

Enclosure:

[Power Function Review Meeting Schedule](#)